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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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The Baby Boom . . .

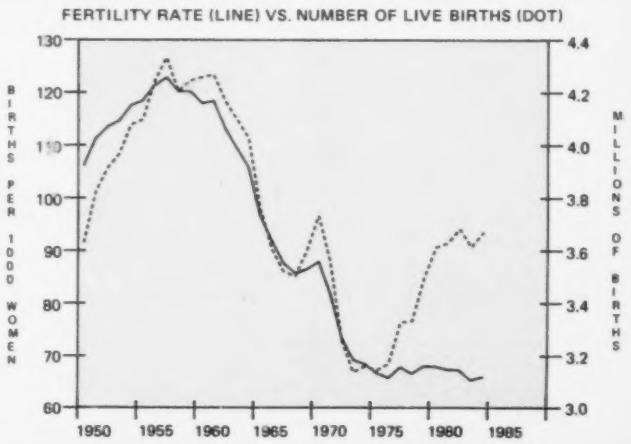
For most retailers, 1984 sales fell short of expectations. Lackluster demand and fierce price cutting held sales to a 7.3 percent advance, year-over-year in December, 1984, following a hefty 11.5 percent increase a year earlier. But not all retailers posted disappointing results. For example, juvenile products have been registering blockbuster sales for more than five years now, thanks primarily to the recent rebound in the number of babies born.

To be sure, this baby boomlet is fundamentally different from the baby boom of the 1950s. The average number of children born to women during their lifetime—1.8—is now less than one-half that of the late 1950s when it peaked at 3.7 and it is still well below the rates of the 1960s. In fact, the fertility rate (the number of babies born per 1,000 women of childbearing age) has not changed for more than a decade (see chart). Rather, the rise in the number of babies is a result of the sharply increased number of potential parents, as the baby boomers of the 1950s mature. While it took only 35 million women of childbearing age to have 4.3 million babies in 1957, 1984 required more than 55 million women to produce 3.7 million babies.

On average, there have been about 3.7 million babies born every year since 1981, the highest three-year average since the mid-1960s. Importantly, many women who had postponed childbearing are having babies now. More young women in their late 20s and early 30s are having second thoughts about earlier decisions not to have children. But even as more women have decided to become mothers, many are not giving up their careers and are quickly returning to the labor force. Today, nearly half of all mothers of children under three years old are in the labor force, compared with only 16 percent 25 years ago. Already, there is large demand for child care and since the Census Bureau is forecasting a 4.4 percent rise in the number of pre-school children in the second half of this decade, the need for day-care and nursery schools will grow further.

. . . Bounces Back . . .

But while the number of babies born to women in their 20s still outnumbers those with mothers in their 30s by more than three to one, the fertility rate for women 30 to 34 years old has posted a sharp turnaround. After an almost 20-year decline, it rose from 53.1 in 1975 to 64.3 in 1984—the sharpest increase of any age group. As a result, the average age of a new mother has risen to 23.2, from 21.8 years 25 years ago. As you might expect, this has forced people to wait to become grandparents. And with life expectancy increasing, there are more grandparents around today than 30 years ago—with half as many grandchildren. Studies indicate that purchases by grandparents account for a significant share of spending on children in their first year of life.



Since today's mothers have waited longer to have children and are having fewer of them, while many are bringing a baby into a two-income family, they are willing and able to pay a premium for quality, style and convenience. This has already benefited manufacturers and retailers of maternity clothes, baby care products, children's clothing, furniture and books, among many others. The economic power of the current boomlet has been further enhanced by the high percentage of firstborns among total births. Back in 1960, when there were 4.3 million babies born, only about one-quarter of them were the firstborns in the family. Last year when 3.7 million babies were born, more than 40 percent of them were first children. Parents, grandparents and relatives tend to spend more on firstborns than they do on subsequent children who frequently inherit hand-me-downs from their older siblings.

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. . . Boosting Business

According to the Juvenile Products Manufacturers Association, purchases of juvenile furniture and accessories have expanded by an estimated 20 percent per year since 1979—rising from about $700 million to an estimated $1.5 billion in 1984. This has occurred despite two recessions—when most other industries were grateful for maintaining sales levels. What is more, the Consumer Products Safety Commission now says that many older cribs and playpens are no longer safe, compelling new parents to buy the latest models rather than relying on hand-me-downs. The new car safety laws are boosting sales, too. In many states, car seats have recently become mandatory for young children, causing unit sales to nearly double between 1981 and 1983 (latest available).

While today's mothers are more affluent and better educated than ever before, they have less time to spend at home. As a result, they look for toys that, in their absence, can develop and educate as well as entertain the little one. Thus, educational toys are selling very well and sales of "Baby Lit"—a new term recently coined by the publishing industry for books aimed at children two months to three years—are going through the roof. Sales of these books are believed to have quadrupled since 1980. By contrast, sales of books other than children's have advanced 55 percent during the period.

With stepped-up emphasis on convenience, sales of

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 3/13/85	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	167.487	– .976	+ 9.703
Loans to Depository Inst.	2.038	+ .347	+ 1.152
Float	.523	– .306	– 1.252
Total Reserve Bank Credit	181.495	– .702	+12.467
Treasury Deposits with Federal Reserve Banks	4.061	+ .697	+ 1.236
Currency in Circulation	179.427	+ .874	+10.829
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	114.354	– .942	– 2.291
	3/13/85		
Member Bank Reserves:			
Total Reserves Held	40.178	+ .600	+ 3.438
Excess (Deficiency)	.932	+ .150	+ .161
Net Free Reserves	.140	– .45	+ .101

Monetary Aggregates †		% Change Since Three Months Ago*	% Change Since Year Ago
M1 (3/4/85)	572.4	‡	‡
M2 (February '85)	2,420.6	+ 12.7	+ 9.2
M3 (February '85)	3,024.7	+ 11.2	+ 11.0
Domestic Nonfinancial Debt (4th Q'84)	5,970.8	+ 14.4	+ 13.6

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Data unavailable due to revisions.

New York Money Market

Offering Rates 3/15/85	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	8.50%	9.03%	9.20%
* Federal Agencies	9.20	9.77	10.20
* Project Notes–Taxfree (46% Taxable Equivalent	7.41	7.87	9.07
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	9.22	9.78	10.40

‡Finance Company Paper–Prime

5- 14 days	8.75
15- 29 days	8.80
30- 59 days	8.85
60- 89 days	9.00
90-179 days	9.15
180-239 days	9.40
240-270 days	9.40

‡* Bankers' Acceptances

Apr.	9.05%
May	9.10
Jun.	9.20
Jul.	9.35
Aug.	9.55
Sep.	9.50

‡Industrial Paper–Prime

30- 89 days	8.80%
90-120 days	8.75

†Federal Funds Effective Rate 8.80%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'84	$ 3,764	$ 3,695	$ 3,432
Gross National Product (1972 Dollars)*	4th Q'84	$ 1,665	$ 1,645	$ 1,573
Percent Change, Annual Rate	4th Q'84	4.9	1.6	5.9
Change in Consumer Prices*	Jan '85	2.4%	3.6%	7.2%
Change in Producer Prices*	Feb '85n	– 1.2%	0.0%	3.6%
Civilian Employment (Thousands of Persons)†	Feb '85	106,685	106,391	103,888
Unemployment as % of Civilian Labor Force†	Feb '85	7.3%	7.4%	7.8%
Personal Income*	Jan '85	$ 3,130	$ 3,114	$ 2,897
Leading Indicators Composite Index (1967=100)†	Jan '85	166.7	163.9	164.5
Industrial Production Index (1967=100) †	Feb '85n	164.7	165.5r	160.0
Net Change in Consumer Installment Credit †	Dec '84	$ 6.95	$ 7.95	$ 5.78
U.S. Merchandise Trade Balance †	Jan '85	–$ 10.29	–$ 8.03	–$ 9.51
Plant and Equipment Expenditures*	1st Q'85	$337.85(a)	$321.40(a)	$293.15
Private Housing Starts (Thousands of Units)*	Jan '85	1,833	1,595	1,933
New Construction Expenditures*	Jan '85	$ 324.9	$ 318.4	$ 280.9
Total Business Inventories †	Jan '85n	$ 568.4	$ 566.3r	$ 518.1
Total Business Sales †	Jan '85n	$ 415.5	$ 418.5r	$ 401.1

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

many baby care products have been posting impressive gains. For example, sales of disposable diapers grew sharply in 1984 despite rising prices. While in 1961, disposable diapers represented only one percent of all diaper changes, now they account for more than 75 percent. Furthermore, sales of baby food have advanced on average by 11 percent per year since 1980. Sales of baby wipes expanded by close to 20 percent last year at the nation's supermarkets—where nearly three-quarters of them are purchased—while drugstores sold 17 percent more than in 1983.

Since young children get out of the house more than they used to—for day-care, play groups, pre-nursery programs or baby exercise classes—sales of young children's clothing have expanded dramatically. But pastels have been replaced by primary colors, with many items featuring well-known designer labels and correspondingly, higher prices. In fact, reflecting the strength in the children's business, increasing numbers of adult clothing manufacturers are offering scaled-down versions of adult clothes. In many cases, these are their most profitable lines.

However, the rise in yearly births will not go on for long. The Census Bureau expects them to peak as early as 1988 at 3.85 million. With the 20-29 cohort—which has the highest fertility rates—shrinking, the government forecasts the number of births to fall to 3.6 million by the year 1995 and 3.47 million by 2000. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Time Deposits of $100,000 or more Weekly Reporting Banks			
Nationwide (2/27/85)	157,162	+ 1,462	+14,575
New York City (3/6/85)	33,612	+ 92	+ 4,129
Commercial Paper (3/6/85)	248,643	+ 1,421	+55,746

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (2/27/85)	253,879	+ 895	+ 24,824
New York City (3/6/85)	62,264	+ 891	+ 2,724

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (2/27/85)	658,617	+ 300	+ 65,918
New York City (3/6/85)	143,356	+ 1,810	+ 12,555

Financial Markets

	Friday 3/15/85	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	8.69%	– .17	– 1.00
180-Day Bills†	9.46	+ .10	– .66
Longest Bills†	9.95	+ .24	– .43
Recent Issues:			
10s 2/28/87	10.76	+ .21	
10⅝s 12/31/88	11.44	+ .25	
11¼s 2/15/95	11.90	+ .19	
11¼s 2/15/15	11.83	+ .12	
Municipals:			
Bond Buyer–20 Bond Index* (3/14/85)	9.76%	+ .01	– .22
Blue List Total ($ Million)	$1,704	– $ 11	+ $ 295
30-Day Visible Supply ($ Million)	$3,661	+ $218	+ $1,086
Total	$5,365	+ $207	+ $1,381
Corporates:			
Moody's Aa Composite (3/14/85)	12.96%	+ .11	– .27
30-Day Visible Supply ($ Million)	$1,110	– $270	– $2,385
Stocks:			
Dow-Jones Averages:			
Industrials	1,247.02	– 22.64	+ 62.66
Transportation	602.19	– 13.18	+ 83.98
Utilities	147.00	– .77	+ 19.40
65 Stocks	507.19	– 8.78	+ 43.71
Standard and Poor's 500 Stocks	167.53	– 11.57	+ 8.26
N.Y.S.E. Composite Index	102.46	– 1.36	+ 10.73
N.Y.S.E. Avg. Daily Vol. for Week (000's)	97,536	–11,406	+ 4,866

* 46% Taxable equivalent 18.07%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 3/15/85	Week Ago
Overnight	8.50%	8.44%
1 month	9.00	9.00
3 month	9.45	9.56
6 month	10.06	10.25
1 year	11.00	11.06
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	12.10%	12.00%
Long Term (7 to 15 yrs.)	12.33	12.30

FOREIGN EXCHANGE SPOT RATES

New York Opening (3/15/85)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01463	68.3450
Canada	.7194	1.3900
Denmark	.08251	12.1200
France	.09629	10.3850
Germany	.2941	3.4000
Italy	.0004664	2144.00
Japan	.003831	261.02
Mexico	.004024	248.50
Netherlands	.2598	3.8485
Switzerland	.3455	2.8940
U.K.	1.0800	.9259

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